

Board of Directors  
Meadows at Timberhill Owners Association

September 30th 2022

Most homeowner associations in Oregon are required to conduct regular studies to evaluate their capital assets and determine the amount of funds that should be collected during the lifetime of those assets to ensure adequate money is available at a projected future date to repair, refurbish, or replace the assets as they wear out. Oregon law requires the review and updating of these studies annually. It also requires preparation of a maintenance plan to ensure that the assets are well cared for during their lifetime.

WCM has prepared two documents for the Meadows at Timberhill Owners Association (MATH) to inform the Board in these areas and to assist in the necessary analysis and planning for informed decision-making.

**Reserve Study (Pages 2 - 6)**. A Reserve Study identifies the major components of an association's physical assets which are expected to require funding during a period of one to thirty years for major repair, refurbishment, or replacement. The study estimates the useful life of those components and the cost of repair/replacement of those items at the appropriate times. The study then summarizes the amount of money the Board would have to dedicate each year to have the necessary funds available without requiring special assessments.

The Reserve Study is broken out into the following sections

Reserve Study General Information	Page 2-3
Specific MATH Condominium Reserve Study Commentary	Page 4
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**Maintenance Plan (Pages 7-8)**. A Maintenance Plan identifies on-going inspection, repair and maintenance items that should be completed at regular intervals to optimize the expected useful life of the association's assets. The Maintenance plan is broken out into two sections: The General Maintenance Plan Information, and the MATH Maintenance Scheduling Information.

These two documents are intended to (1) comply with the applicable state law, (2) provide a means to help protect the market value of the association's capital assets, and consequently each owner's property investment, and (3) protect current owners and future buyers from unexpected costs and special assessments.

The Board should carefully review these documents to ensure they accurately reflect the policies established by the Board and the requirements described in the association's governing documents. The Board should also regularly review the reserve account bank balances to ensure the anticipated funds are being properly allocated to the reserve accounts. Failure to maintain the proper reserve balances will have compounding negative effects on future association operations.

Sincerely,  
Kurt Powell,  
Beth Powell,  
and Jason Peter  
Community Managers

*Meadows at Timberhill Owners Association*

## RESERVE STUDY - GENERAL INFORMATION

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) requires homeowner associations to establish a Reserve Account and conduct a Reserve Study:

(2)(a) A reserve account shall be established to fund major maintenance, repair or replacement of all items of common property which will normally require major maintenance, repair or replacement, in whole or in part, in more than one and less than 30 years, for exterior painting if the common property includes exterior painted surfaces, for other items, whether or not involving common property, if the association has responsibility to maintain the items and for other items required by the declaration or bylaws...

(3)(a) The board of directors of the association annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements...

### Why does our Association need a Reserve Study?

The purpose of a reserve study is to estimate the cost to the association in future years of replacement or major repair/refurbishment of its capital assets with a useful life of one to thirty years and to calculate the funds necessary to be set aside in the current year to achieve that level of funding.

### GENERAL RESERVE FUNDING DECISION ALTERNATIVES

- **Funding levels.** A very conservative approach to funding is to commit funds based on 100% of the amount computed for each reserve element for each year until replacement. A less conservative and perhaps 'lowest acceptable' funding level is to commit funds sufficient to ensure that the total reserve balance always remains positive. Because not all elements require replacement in the same year, the effect of the second strategy is to 'borrow' funds for items to be replaced in a given year from the balance reserved for other items and then 'replacing' the funds in years when the 'replaced' item is not scheduled for expense. Many intermediate funding levels are available to the Board of Directors to use.
- **Interest allocation.** Interest earned on reserve fund balances can be dedicated to the reserve fund or it can be recorded as operating income. When an association determines the necessary allocation to reserves, the transfer of funds from the assessment collections (operating account) to the reserves can either be a full transfer (interest was recorded as operating income) or a transfer amounting to the difference between the determined allocation less the interest recorded directly to the reserve account.
- **Taxes.** Homeowners associations are subject to income/excise taxes on certain taxable income which often is primarily the interest earned on investments of funds in the reserve accounts. Since much of the interest is attributable to the reserve funds (which usually exceed excess operating balances), the association must determine whether tax payments will be made from the operating budget or allocated to the respective source of income. Since this is an annual expense, it usually is appropriate to budget for this expense in the operating budget.

### GENERAL ASSUMPTIONS MADE IN THIS STUDY

- The reserve study is for budget and planning purposes. Therefore, the numbers depicted are estimates and will vary continuously depending on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), change in cost factors (inflation rate) and external factors such as weather.
- The values are "best guesses" and should be adjusted at least annually to meet the local environment and observable changes in the condition of the assets.

- Calculations shown in this report for the allocation of funds to reserve accounts do not include interest earnings, and therefore, are independent of interest rates earned on existing investments.
- An inflation rate of 5% has been used in computing future values of both replacement cost and assessment rate increases to allocate to reserve accounts. Changes in this rate may dramatically affect future cost estimates and must be updated at least annually to ensure reasonable projections.
- Life expectancies contained in this document assume that recommended maintenance on all elements will be performed by qualified personnel in a timely, consistent, complete, and professional manner to high industry standards.
- Values estimated in this report are based on (1) association cost and longevity experience with the respective element, (2) experiences of similar associations, (3) estimates from local vendors who have worked on similar projects, or (4) general industry expectations.
- The cost of regular day-to-day maintenance activities is to be included in the association's annual operating budget and is not provided for in this reserve study.
- The cost of removal and disposal of worn out components is included as part of the replacement cost.

#### **GENERAL CAVEATS**

- Although the information contained in this report is accurate and obtained from reliable sources in our opinion, we cannot guarantee nor assume liability for data, estimates, or opinions furnished by others in developing this analysis.
- We have not confirmed the ownership/title status of, nor liabilities/liens against, any of the property described in this report.
- Actual bid prices for any work to be performed in response to these plans may vary (sometimes substantially) from the planning projections contained in the study due to price levels or labor conditions existing at the time bids are obtained. In addition, the scope of work may be defined differently depending on individuals involved in the contracting process.
- State Law requires review of these documents annually. This review is critical because data influencing accuracy of the information used in decision-making changes continuously and often rapidly. The condition of the assets may be affected by harsh weather or usage conditions, costs may be affected by sudden changes in the inflation rate or stricter regulatory decisions, and member/user willingness to continue use of assets may change with economic conditions.

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## **MATH RESERVE STUDY COMMENTARY**

The Meadows at Timberhill Declaration of Covenants, Conditions, and Restrictions (CC&Rs), Article 3.9, requires the following maintenance responsibilities:

**\* Association**

- Exterior of Building Structures and Common Areas
- Painting, staining
- Exterior surfaces, roofs, except exterior doors
- Exterior lighting fixtures, rain gutters, downspouts
- Exterior portions of chimneys
- Roof & foundation drainage systems
- Landscaping and required fencing

**\*Owner**

- Glass, exterior doors, exterior hardware, window casements, sashes, frames
- Screens, storm windows/doors
- Sidewalks, driveways, fencing, decks, patios
- Doorbells, HVAC, skylights
- Interiors (including cabinets & appliances)

Features excluded from this study:

- \* Concrete sidewalks since their useful life should significantly exceed 30 years (scope of analysis). This applies only to sidewalks in common areas, since sidewalks on and adjacent to Building Lots are the responsibility of the respective owner. This also assumes continuing inspection and corrective action when damage or deterioration is detected. Further, the City of Corvallis adopted in 2011 a policy and procedure for the City to maintain sidewalks in the public right-of-way (sidewalks in the 'street' or 'park' strip adjacent to public roads).
- \* Siding replacement since its useful life should significantly exceed 30 years (scope of analysis) with proper maintenance and regular caulking and painting.
- \* Asphalt alley/path replacement since their useful life should significantly exceed 30 years (scope of analysis) with proper maintenance and regular seal coating.

## 30 Year Summary

<b>Year</b>	<b>Asset Value</b>	<b>Allocation</b>	<b>Expenses</b>	<b>Balance</b>
2022	1,568,886	127,001	218,361	40,000
2023	1,668,145	232,336	232,970	39,365
2024	1,774,461	254,002	209,567	83,801
2025	1,863,184	147,003	217,798	13,006
2026	1,956,343	164,353	143,164	34,194
2027	2,054,161	172,070	6,440	199,824
2028	2,156,869	180,174	20,197	359,802
2029	2,264,712	178,683	10,955	527,529
2030	2,377,948	187,617	7,455	707,690
2031	2,496,845	196,998	0	904,688
2032	2,621,687	206,847	678,818	432,717
2033	2,752,772	217,190	8,631	641,276
2034	2,890,410	228,049	13,982	855,344
2035	3,034,931	239,452	0	1,094,795
2036	3,186,677	251,424	9,991	1,336,229
2037	3,346,011	263,996	0	1,600,225
2038	3,513,312	277,195	20,197	1,857,223
2039	3,688,977	291,055	29,411	2,118,868
2040	3,873,426	305,608	0	2,424,476
2041	4,067,098	320,888	0	2,745,364
2042	4,270,452	336,933	1,175,880	1,906,417
2043	4,483,975	353,780	0	2,260,196
2044	4,708,174	371,469	22,775	2,608,890
2045	4,943,583	390,042	15,499	2,983,433
2046	5,190,762	409,544	0	3,392,977
2047	5,450,300	430,021	0	3,822,998
2048	5,722,815	451,523	38,139	4,236,382
2049	6,008,955	474,099	29,067	4,681,414
2050	6,309,403	497,804	259,219	4,919,999
2051	6,624,873	522,694	20,771	5,421,923
2052	6,956,117	548,829	1,827,038	4,143,714
2053	7,303,923	576,270	0	4,719,984

## ***Replacement Scheduling Assumptions***

Name	Total Current Replacement Cost in 2022 Dollars	Year Next Sched.	Cycle (yrs)	Units
Roofing	1,057,795.20	2022-2024	30	134,350.00
Bark	5,298.43	2024	3	13.00
Painting	441,252.00	2025-2026	10	138,950.00
Asphalt seal	8,174.90	2025	5	28,100.00
Gutters	69,431.25	2025	25	11,500.00
Irrig timers	4,725.00	2025	10	15.00
Lighting	22,465.14	2025	20	225.00
Trellises	52,703.21	2028	20	25.00
Fence	6,300.00	2023	30	250.00

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## **GENERAL MAINTENANCE PLAN INFORMATION**

Oregon Revised Statutes (ORS) 94.595 (100.175 for condominiums) now requires homeowner associations to develop a maintenance plan “...for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility...”

(4)(a) The board of directors shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the association has maintenance, repair or replacement responsibility under the declaration or bylaws or ORS 94.550 to 94.783. The maintenance plan shall:

- (A) Describe the maintenance, repair and replacement to be conducted;
  - (B) Include a schedule for the maintenance, repair and replacement;
  - (C) Be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the association; and
  - (D) Address issues that include but are not limited to warranties and the useful life of the items for which the association has maintenance, repair and replacement responsibility.
- (b) The board of directors shall review and update the maintenance plan described under this subsection as necessary.

This responsibility usually encompasses Common Elements and Limited Common Elements as defined in the governing documents, but may extend to certain other features in the community if the Association has a contractual relationship with owners for ‘common’ maintenance functions.

The principle component of such a maintenance plan addresses the valuable physical elements which an association owns and which are usually considered “capital investment” property which have a useful lifespan from one to thirty years. These properties are defined in the required reserve study and funded by the reserve account(s). However, the Board also must be cognizant of general maintenance requirements that are frequently not seen as having capital investment implications, but which occur on a repetitive day-to-day basis. For example, custodial functions and general repairs, such as removing moss from walkways, must be provided for in custodial service contracts. Mowing grass, controlling weeds, and maintaining irrigation systems must be provided for in landscape maintenance service contracts. Although many of these services do not directly affect capital replacement requirements, they contribute to the general appearance of the community and to owner satisfaction with the living environment, and likely contribute in an immeasurable way to the overall condition and lifespan of all association assets.

The purpose of any maintenance plan is to assist the Association/Board in preserving the value and life expectancy of its real assets by establishing a routine and systematic schedule of activities that will help assure longevity of those assets through proper operation and maintenance during their lifetime. The plan is a suggested sequence of events which must be regularly reviewed and adjusted based on actual experience of quality of maintenance, wear and care by user actions, newly acquired knowledge about various equipment (e.g., improved maintenance procedures or manufacturer recalls), and external factors such as weather. Actual procedures and specific timing of events should be governed by the manufacturer’s instruction manuals. Trained professional technicians (with proper knowledge, training, tools, and equipment) should generally be used to accomplish these services.

This plan cannot make important decisions for the Association/Board. Regular, complete, consistent maintenance activities will cost money in the present time period, but will reap benefits of significantly lower major maintenance and/or replacement costs in the future. The Association/Board must make the policy decisions which establish their tolerance for these trade-offs in risk versus cost.



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## MAINTENANCE SCHEDULING INFORMATION

Category	Life	Frequency	Description
Asphalt Surface	30+	Annually	Inspect all asphalt surfaces for cracking, chipping, and other wear indicators, as well as damage from improper use. Repair as needed. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
		5-7 years	A seal coat should be applied to all asphalt surfaces (pathways, parking lots, private streets) to protect against failure from water penetration. If a seal is not maintained, the asphalt will age quickly for alternate drying out in summer and freezing in winter. [An initial seal coat should be applied within 3 years of surface installation.]
		25+ years	Asphalt surfaces may require an 'overlay' after 25-30 years of life depending on the adequacy of seal coat maintenance.
Barkdust	2	2 or 3 years	Apply new layer of barkdust 1-3" thick.
		Seasonally	Inspect for thinning areas, washouts, and scattered bark. Rake/sweep to return bark to proper area and distribute evenly.
Concrete Surface	30+	Annually	Inspect surfaces for appearance, continuity and proper operation. Surfaces include curbing, parking bumpers, speed bumps, signage. Ensure ADA & other code compliance and absence of tripping hazards. Ensure all surfaces drain properly.
Fence Chain-link Wood/vinyl	30	Annually	Inspect for condition and proper operation. Watch for loose posts, bent/broken links/sections, debris, damaged hardware. Ensure gates work properly and close securely.
Gutters & Downspouts	24	Semi-annually	Inspect and clean twice per year. Repair damaged, missing, and loose attachments promptly. This activity generally should be on a custodial maintenance schedule.
Irrigation Controllers & Sprinkler Heads	10	Monthly	The landscape contractor should inspect irrigation controllers and sprinkler heads at least monthly to ensure proper operation and coverage. Maintenance should be performed by qualified technicians.
Landscape	10	Seasonal	Ensure the landscape contractor regularly inspects the condition of all elements of the landscape environment (turf, shrubs, trees, drainage, irrigation and 'natural' areas) and informs HOA about deficiencies and makes recommendations for correction. Time intervals will vary depending on weather conditions and HOA appearance standards.
Lighting	20	Monthly	Inspect, clean, and repair interior and exterior lighting fixtures to ensure safety, functional, and appearance standards are met. This activity should be on a custodial maintenance schedule. Contractor should be asked for recommendations on lower energy consumption fixtures/bulbs.
Mailboxes	30	Annually	Inspect, clean, and repair mailboxes to ensure functional and appearance standards. Remove graffiti immediately. Repaint when wear exposes surfaces to potential long-term damage.
Paint, exterior	6	Periodically	Inspect, clean, and repair caulking, flaking, paint chipping, fading and unusual wear when noticed.
Paint, mailboxes	10	Periodically	Inspect, clean, and repair mailboxes to ensure functional and appearance standards. Remove graffiti immediately. Repaint when wear exposes surfaces to potential long-term damage.
Roof (composition)	24	Annually	Have qualified service technician inspect roof surfaces annually (exterior and interior). Repair identified problem areas promptly to prolong useful life. Treat for moss accumulation annually or as recommended by the service technician. Remove debris when doing gutter/downspout inspections.
Siding (Hardiplank)	30+	Periodically	Inspect, clean, and repair in conjunction with exterior paint inspections.